

## Message Text

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ACTION EA-09

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /090 W

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R 280916Z APR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4467

INFO USMISSION GENEVA

C O N F I D E N T I A L MANILA 5848

E.O. 11652: GDS

TAGS: EGEN, ETRD, RP, US

SUBJECT: US-GOP ECONOMIC NEGOTIATIONS

1. DURING CONVERSATION WITH PRESIDENT MARCOS APRIL 28, I REVIEWED PROGRESS WHICH HAD BEEN MADE IN ECONOMIC DISCUSSIONS HELD IN WASHINGTON EARLIER THIS MONTH. I SAID I FELT I COULD SEE THE SHAPE OF AN ECONOMIC AGREEMENT AND WAS OPTIMISTIC WE COULD ACHIEVE ONE IN THE NEXT FEW MONTHS.

2. IN DESCRIBING THE POTENTIAL AGREEMENT, I SAID THERE WERE THREE ELEMENTS: (A) TARIFF CONCESSIONS, (B) GSP COMPETITIVE NEED WAIVERS, AND (C) AN "ECONOMIC COOPERATION" TEXT WHICH INCLUDED PROVISIONS ON INVESTMENT.

3. ON TARIFF CONCESSIONS, I POINTED OUT THAT AMBASSADOR VEGA APPEARED TO HAVE NO FLEXIBILITY IN HIS INSTRUCTIONS DURING THE WASHINGTON SESSIONS. HE WAS UNABLE TO OFFER ANYTHING EXCEPT TO BIND EXISTING TARIFFS, SOME OF THEM AT 100 PERCENT DUTY. MOREOVER, THE OFFER AND REQUEST LISTS NEEDED TO BE BROUGHT INTO BETTER BALANCE. I FELT, IF THESE STEPS WERE TAKEN, WE COULD MEET THE TRULY  
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IMPORTANT PHILIPPINE TARIFF DESIRES, SUCH AS COCONUT OIL

AND MAHOGANY PLYWOOD.

4. ON GSP WAIVERS, I SAID A BLANKET WAIVER WAS IMPOSSIBLE. HOWEVER, WE WERE WILLING TO EXAMINE THE POSSIBILITY OF SPECIFIC WAIVERS. IT WAS NECESSARY TO UNDERSTAND, HOWEVER, THAT NO RPT NO WAIVERS WERE POSSIBLE UNDER OUR LEGISLATION IN THE ABSENCE OF A BROAD ECONOMIC AGREEMENT, WHICH WOULD INCLUDE PROVISIONS ON INVESTMENT.

5. ON INVESTMENT, I SAID THAT OUR NEGOTIATORS HAD BEEN WILLING TO FALL OFF OUR TRADITIONAL INSISTANCE ON "NATIONAL TREATMENT," IF WE COULD HAVE A PROVISION ON "NON-DISCRIMINATION." I DESCRIBED THE GENERAL CONCEPT WHICH HAD BEEN BORROWED FROM THE TAX TREATY AND EXPANDED IN SUCH A WAY THAT THE AGREEMENT WOULD SPELL OUT THE WAYS IN WHICH THE PHILIPPINES WOULD BE PERMITTED TO DISCRIMINATE IN FAVOR OF FILIPINO INVESTORS. THIS DESCRIPTION WOULD CONSTITUTE THE GROUND RULES FOR U.S. INVESTORS.

6. MARCOS GRASPED THE IMPORT OF THESE PROPOSALS AND SAID IT LOOKED TO HIM AS THOUGH AS AGREEMENT WAS WORKABLE. I SAID THE PHILIPPINES COULD PROBABLY GET MANY OF THE TARIFF CONCESSIONS IT WANTS IN THE MTN NEGOTIATIONS IN GENEVA, BUT THAT IT CAN NOT RPT NOT GET GSP WAIVERS WITHOUT AN ECONOMIC AGREEMENT WHICH INCLUDES INVESTMENT PROVISIONS. MARCOS INDICATED THAT HE WISHED TO PURSUE THE ENTIRE PACKAGE RATHER THAN THE LIMITED TARIFF ARRANGEMENTS THAT MIGHT BE POSSIBLE IN GENEVA.

5. IN PURSUIT OF THIS AIM, MARCOS SAID HE WOULD SEE THAT NEW INSTRUCTIONS ARE PREPARED TO GIVE HIS NEGOTIATORS MORE FLEXIBILITY. HE INDICATED THAT HE HOPED THE ECONOMIC AGREEMENT COULD BE SIGNED IN THE SAME TIME FRAME AS THE MILITARY BASE AGREEMENT SOMETIME THIS SUMMER. AS I LEFT HIS OFFICE, MARCOS SUMMONED DIRECTOR OF ECONOMIC DEVELOPMENT SICAT TO GIVE HIM INSTRUCTIONS CONCERNING THE DEVELOPMENT OF THE PHILIPPINE NEGOTIATING POSITION. SULLIVAN

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## Message Attributes

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